

Gender-Equality and the Revitalization of Japan's Society and Economy under Globalization

Mari Osawa*

1. Introduction: The Social and Economic Crisis

The global financial crisis that began with the collapse of the subprime mortgage market in the United States spread to economies around the world at an astonishing pace. In Japan, as 2009 began, jobs and often homes were lost with a suddenness and on a scale previously unknown, leaving people at a loss as to where to turn. At a time when Japan's own societal sustainability was seen to be under increasing threat, an unprecedented degree of instability was laid bare throughout the globalized economy. At precisely this juncture, in the general election of 30 August 2009, the long-standing Liberal Democratic Party (LDP)-led coalition government was replaced by a Democratic Party of Japan (DPJ)-led government in an historic change of administration.

Tarō Asō, the last prime minister of the outgoing LDP government, in his Special Address to the World Economic Forum Annual Meeting in Davos in late January 2009, emphasized that in order to put the world economy back onto a stable growth trajectory, countries with overall balance surpluses (including Japan) must shed their reliance on external demand and instead achieve economic growth by increasing internal consumption. He declared Japan's foremost duty to be the restoration of vitality to its economy, still the world's second-largest. However, as was acknowledged in the government's 2009 *Annual Report on the Japanese Economy and Public Finance*, the slump in the Japanese economy was clearly the most severe among all the advanced industrialized countries. Far from fulfilling its duty, there was fear that Japan might block recovery of the global economy.

This was the atmosphere in which OECD (Organisation for Economic Cooperation and Development) Secretary-General Angel Gurría visited Japan in mid-November 2009. During his meetings with then (DPJ) Prime Minister Yukio Hatoyama and other ministers, Mr. Gurría pointed out that “increasing labour inputs by raising female labour force participation” is key to Japan's economic recovery from the crisis and to its movement toward self-sustained growth. He noted that “Japan is the only OECD country, along with Korea, where the labour force participation rate of women with a university education is roughly the same as for those without an upper secondary education. Moreover, many women who do work are only part-time employees. In short, Japan is under-utilizing the talents of its female population” (http://www.oecd.org/document/5/0,3343,en_21571361_44315115_44088581_1_1_1_1,00.html).

* Mari Osawa is a Professor at the Institute of Social Science of the University of Tokyo. The author wrote this paper with cooperation from a research team organized by the JICA Research Institute.

Even before the onset of the 2008 economic crisis, there had been indications that Japanese society was in a precarious state. In particular, Japan was experiencing historically low birth and high suicide rates, symptomatic indicators of livelihood difficulties which are strongly correlated with each other and with strongly gendered job/income conditions and related social policies (Osawa forthcoming). The present paper argues that promoting gender equality and constructing a more equitable livelihood security system (LSS) so that people of lower status – notably women – will be less vulnerable is indispensable for revitalizing the Japanese economy, for building a sustainable society, and for insuring a more stable global economy. A comparative gender analysis of livelihood security systems leads to this conclusion: for Japan, more than for any other “advanced” economy, a radical reconstruction of LSS is absolutely essential.

In Section 2 below, the LSS framework is introduced, with its outcomes as situations of social inclusion/exclusion. In Section 3, income and employment disparities are analyzed. Income disparity has been widening, and poverty in Japan has been increasing since the 1980s. At around the turn of the century (i.e., 2000), the rate of relative poverty in Japan’s working-age population was the second highest among OECD countries, exceeded only by that of the United States. The non-regularization of employment for women and younger men figures in the underlying explanation.

Section 4 examines how social policy measures have affected these income and employment disparities. The mitigation effects on income disparity and poverty of Japanese tax and social security schemes are quite weak, and the effects of the tax policies in particular have worsened since the late 1980s. The relative poverty rate of “households with all adults working” (two-earner couples, single parents, individuals) and the relative poverty rate for children are higher at the disposable income (after taxes and transfers). level than at the market income level, which indicates that LSS has a reverse function for these households and children. With regard to labor policy, the temporary-labor market has gradually been deregulated and social security burdens have repeatedly been increased while the level of benefits has decreased. Finally in Section 5, the author suggests that the global imbalance which caused the current financial and economic crisis resulted from dysfunctional LSS in the United States, Japan and China.

2. The Livelihood Security System and Social Exclusion/Inclusion

2-1. The framework and the actual situation

Economic and social structures relating to production, distribution and consumption based on the dimension of individual livelihoods are referred to in this paper as the “livelihood security system” (LSS). Livelihoods are secured in the so-called advanced countries by LSSs in which the activities of private institutions (including families, businesses, and non-profit organizations) are articulated with government institutions and policies, such as tax and social security schemes, employment maintenance policies, and labor-market regulations. The dysfunction or reverse function of an LSS engenders social exclusion. “Reverse function” denotes a system that purportedly is intended to secure the daily livelihoods of people but

instead actually threatens and/or excludes them (Osawa 2007a; Osawa 2007b).

The concept of social exclusion originated in France with respect to situations where a person cannot participate in various aspects of society as a full-fledged member due to poverty and income gaps, language barriers, education disparities, health inequalities, and/or barriers to the exercise of civil rights. In the Amsterdam Treaty of 1997, the struggle against social exclusion was positioned as a key objective of the European Union (EU). In December 2001, the EU Council approved 18 common indicators of social exclusion and poverty (Bhalla, and Lapeyre 2004, p.6).¹

In contrast to the Western European and Nordic countries, where adequate unemployment insurance or public assistance schemes allow workers to subsist while unemployed, the labor markets of most countries include “precarious segments” of workers who have no alternative but to accept underemployment. These precarious segments are occupied in involuntary part-time and temporary employment under poor working conditions and are partially or fully barred from access to social security (Bhalla, and Lapeyre 2004, pp.16-26, p.44, p.71).

Through their work, Bhalla and Lapeyre have effectively modified the EU concept of social exclusion, locating the unstable labor markets of developing countries within broader contexts of informality and extra-legality. They do not, however, discuss the actual meaning of “extra-legality” apart from a brief reference to absence of formal property rights (Bhalla, and Lapeyre 2004, p.171).

As will be argued in the present paper, social exclusion in Japan is more closely related to exclusion within the labor market than to the long-term structural unemployment seen in continental Western Europe. Within the Japanese variant, we find continuous instances of illegal use of temporary workers, sub-minimum wage compensation, and such extra-legalities as non-payment for overtime work and lack of social security coverage.

It is important to note that LSS and its function/dysfunction are not gender-neutral. In Japan LSS is characterized by a strong orientation toward male-breadwinners. Compared to other major industrialized countries, for-profit enterprises in Japan account for a huge share of goods and services production. Japan thus is a company-centered society, and its companies favor male breadwinners, i.e. fulltime male employees who are assumed to support families composed of a wife and children. The employment status of Japanese men, ranging from those in their prime to the quite elderly, still remains relatively favorable when compared internationally or when compared to Japanese women and young adults. Furthermore, while the Japanese government is a “big construction government” it is a “small welfare government,”²

¹ Indicators include: at-risk-of-poverty rate (share of persons with an equivalent disposable income below 60% of the median equivalent disposable income), poverty risk gap, income inequality (ratio of total income of top quintile of population compared with bottom quintile), long-term unemployment rate, percentage of young NEETs, etc. In 2006 in-work poverty risk and low reading literacy of 15 year olds were added. In 2008 a list of indicators for medical needs and care utilization was agreed, http://ec.europa.eu/employment_social/spsi/common_indicators_en.htm.

² Since 1945 and particularly in the 1990s the public expenditure system in Japan has been characterized by the highest priority it places on investment in public works for economic development while the amount of social

and its welfare policies attach disproportionate importance to income transfers to retired male breadwinners.

The social insurance schemes in Japan are uneven and vertically divided. The types of insurance in which people enroll differ according to whether the enrollees are self-employed (including business owners and their family workers), employees, or unemployed; whether they are working in the private or in the public sector; and, depending on the size of the employing corporation, their working hours, annual income, and marital status, etc. Premiums and benefits also differ according to the insurance schemes, so these can be considered as uneven and vertically divided. A similar type of structure is found in the social insurance schemes of the continental Western European countries. The present paper's emphasis here is on the fact that the standard insured person in the Japanese system is a male breadwinner and the standard pension benefit, therefore, is calculated as the average benefit for a full-time employee who works in a medium-sized or large enterprise and supports a wife and immediate family.

Public policies directed at encouraging family formation and addressing related gender needs are very poor. At the turn of the century (around 2000), for example, Japan's schemes for supporting families and raising future generations were the weakest among OECD countries (Osawa 2007a).³ In particular, among female workers employment has been drastically irregular since the late 1980s, as discussed in Section 3 below. The ratio of women workers covered by social insurance for employees has fallen continuously since the mid-1970s.

2-2. How “traditional” is the male breadwinner model?

It might be helpful here to present a brief historical overview. The rapid industrialization and urbanization of the Japanese economy and its high growth from the late 1950s through the 1970s established and entrenched the male breadwinner and female homemaker as Japan's social norm.

Prior to that, until around 1960, most Japanese were born and raised in large extended families in rural settings. In that kind of environment, farm work was the highest priority for women. This meant that childcare had to be shared among people of diverse kinship relations and age groups inside and outside of the family itself, including elderly family members, young aunts and uncles, elder siblings, neighborhood children and visiting adults. Children were often socialized and trained as apprentices in other's households. Male farmers before World War II performed one or more hours per day of household chores, even while working much longer in the fields, compared to today's salaried workers (Osawa 2002). Thus, true Japanese tradition should be considered a childcare system that involves not only parents but also non-family services and an extended network of community support.

security-related expenditures has been kept to a minimum. In short, Japan has been heavily dependent on public works.

³ In terms of models of livelihood security systems, we can distinguish between the “male breadwinner” model, prevalent in Japan and continental Western Europe; the “market oriented” model prevalent in Anglo Saxon countries and the “work-life balance” model typical in Nordic countries (Osawa 2007a).

Nor are Japanese-style employment practices, with the much-vaunted three key elements of life-time employment (long-term stable employment), a seniority wage system for regular male workers, and a company-based union truly “traditional.” In the pre-war period, life-time employment and a seniority wage system applied only to (male) white-collar employees with higher than secondary level education, while labor unions were organized mainly by (male) blue-collar workers, sometimes horizontally across companies. The majority of factory workers in the pre-war period were young women in textile (silk and cotton) industries.

What is understood today as “Japanese-style employment practices” began to emerge only after the war, when trade unions organized regularly employed workers, both white-collar and blue-collar, on a company basis. Swayed by a surge of democratic sentiment, the unions demanded the elimination of status-based differentiation between the white-collar and blue-collar workers. Their demands called for a single door to the shop floor, a lunch hall for all employees, and the extension to blue-collar workers of the long-term stable employment and seniority wage system. However, the egalitarian fervor of the post-war labor movement, including reforms such as the dissolution of large-scale farmland ownership and financial assets and the establishment of a highly progressive tax system, did not encompass the notion of gender equality (see Box 1 for conditions in rural Japan).

Satisfying the trade union demands was accomplished following serious labor disputes in the late 1940s, and within the specific demographic situation of the time characterized markedly by the increasing presence of young people. The Japanese seniority wage system is convenient and beneficial to management as long as the age structure of the employees is pyramidal. This particular system was widely adopted, not to conform to the tradition of elder respect, but to keep overall labor costs low.

Box 1: Are women saviors of Japanese agriculture in crisis?

Kiyoko Furusawa (Associate Professor at Tokyo Woman's Christian University)

Whenever a society or social organization faces a critical moment and can no longer maintain itself under the existing order or structure, women are called to help. The agricultural sector in Japan is no exception. Since agriculture has been a declining sector and farmers' incomes have lagged behind industrial and service sector incomes, school graduates seldom seek farm employment. Farmers themselves prefer to leave, at least partially, to take non-agricultural jobs. Japanese agriculture today suffers from an aging workforce (average 65.8 years old), unused and abandoned land (9% of the total), and falling food self-sufficiency (40%). Facing these economic stresses, Japanese women increasingly distance themselves from the agricultural sector. As a result, traditional patriarchal rural families faced a serious shortage of brides during the 1980s and started to welcome women from other Asian countries. In this situation, rural families and communities were required to adjust their views on women, from being brides to being equal partners.

The government also felt the urgent need to address the problem and issued the Vision for Rural Women in 1992, pleading for improvement in the status of rural women. Among the measures promoted by the government was a Family Management Contract, which stipulates allocation to each family member of the workload, holidays and remuneration. One of the goals of the contract was to have women's contributions recognized and quantified. This is an innovative approach to the gender issue for Japan, although challenges still remain as women's rights to land/assets and men's responsibility for housekeeping, childcare and nursing care are yet to be included in the contract. In 1999, the Basic Law for a Gender Equal Society was enacted to support women's activities through budget allocations for training and financing.

By 2010, women's share of the total agricultural workforce came to 53.4% according to the Ministry of Agriculture, Forest and Fisheries (MAFF). Women in agricultural households have opened new marketplaces in local communities to sell farm products processed by themselves, sent organic products directly to urban consumers conscious of food safety, and run restaurants, orchards, farms or hostels for 'green tourism.' These activities are now termed 'the sixth (1+2+3) industry' because they are characterized by a synergy of farming, processing, and service provision. Businesses run by female farmers increased from 4,040 in 1997 to 9,641 in 2008. Women who engage in agriculture have come to be called 'the saviors' of the rural economy.

Advances in economic activities notwithstanding, little progress has been observed in women's participation in the decision-making processes of public and social organizations. The ratio of female members on Agricultural Committees, local administrative bodies which discuss and decide land use and agricultural policy, is increasing; but as of 2009 it was still as low as 4.9%. Among board members of Japan Agricultural Co-operatives (JA), in 2009 only 3.0% were women. Suffering from a sharp decline in its membership, the JA reconsidered its policy and announced a numerical target to enhance female membership and leadership. Nonetheless, women face many obstacles to their participation: pressing farm work, heavy housekeeping duties, limited knowledge of policy and technology, patriarchal local traditions, and a sense of impotence in male-dominated organizations. Without gender equality and without further empowerment of women, Japanese agriculture will not be saved.

3. Income and Employment

3-1. Growing income disparity and poverty

According to the April 22, 2009 report titled “The State of Income Disparity,” submitted by expert members of the Council on Economic and Fiscal Policy, three measures – the Gini coefficient, the relative poverty rate, and the proportion of workers earning less than 1,500,000 JPY (about 15,000 USD) per year – clearly indicate that income disparity has been growing steadily since the 1980s. (Actually, the report represents the first attempt by a Japanese high level government office to estimate the relative poverty rate.) Relative poverty denotes an income less than 50% of the median equivalent income and is used by organizations such as OECD to compare incomes across countries. The median disposable equivalent income in 2004 was JPY 2,900,000 (approximately USD 29,000), with households having equivalent disposable incomes less than JPY 1,450,000 (approximately USD 14,500) considered to be relatively impoverished (Council on Economic and Fiscal Policy 2009).

As relative poverty is a measure of income disparity, there might be disagreement about it as a criterion for defining poverty. However, according to a research by Professor Kohei Komamura’s group at Keio University, comparing Japan’s official poverty line (public assistance standard) with the OECD relative poverty standard, the latter is a viable substitute for the former (Yamada et. al. 2008).⁴ The relative poverty rate can, therefore, be considered as Japan’s official poverty line.

“The State of Income Disparity” includes a country-by-country comparison of relative poverty rates in mid-2000, based on data from the *OECD Factbook 2009*. This data shows that Japan’s relative poverty rate of 14.9% ranked fourth highest in the world, after Mexico, Turkey, and the United States (Council on Economic and Fiscal Policy 2009).⁵

A gender component to poverty was evident in the situations of elder households and single person households. Shirahase’s analysis of the poverty rate among single-person households presents the data by gender. In 2001 the poverty rate was 21.6% among male single person households, compared with 42.0% among female single person households. Furthermore, nearly half of all elderly women living alone were in poverty (Shirahase 2006, p.69).

That said, as noted in the Council on Economic and Fiscal Policy report, compared internationally a characteristic of Japan’s relative poverty population is that among poor households with a working-age head-of-household (18-65 years old), the proportion with working members is higher than for other countries. On average in OECD countries, 37.3% of relatively impoverished households with a working-age head-of-household have no working member and 17% have two or more working members, such as dual-income couple households.

⁴ The income requirement for receiving public assistance is a concrete value selected to respect the rights of all citizens and ensure that each has the opportunity to maintain “the minimum standard of wholesome and cultured living,” as laid out in Article 25, paragraph 1 of the Japanese Constitution.

⁵ The document recognized that different statistics can yield different results. It reported that if the National Survey of Family Income and Expenditure is used instead of the Comprehensive Survey of Living Conditions utilized by the OECD, the relative poverty rate for Japan is 9.5%, placing Japan near the middle of OECD countries.

In Japan, those numbers are 17.3% and 39%, respectively, representing a trend reversal (Council on Economic and Fiscal Policy 2009). These figures mean that in Japan the risk of living in poverty is higher for households with working members. Escaping the cycle of poverty is difficult even for households with dual earners. This in turn implies the existence of working poor and weak earning power for women, and it leads to a discussion of employment quality.

3-2. Non-regularization of employment

According to “The Labor Force Survey” (Detailed Tabulation), the percentage of female employees who were employed on a non-regular basis with fixed-term contract rose from 32.1% in February 1985 to 46.4% in February 2000 and to 54.2% in January-March, 2008. Over the same period, the percentage for males rose from 7.4% to 11.7% and to 18.7%. Looking at the age breakdown, from the 1990s, there was a large increase in non-regularized women workers in the 15-24 and over 45 age brackets while the non-regularized male labor force in the younger age bracket crept up, starting only from the year 2000.

Ironically, the Japanese economy had been recovering for several years before the recent economic crisis. As stated in the Government’s *2008 White Paper on International Economy and Trade*, Japan recorded 69 months of economic growth from February 2002 until October 2007, the longest period of continuous economic growth since World War II. Over this time, although real corporate earnings increased substantially neither employment nor employee real income showed a similar increase. Nominal compensation actually decreased by 0.1%. By comparison, during the economic recovery of the late 1980s, employee income increased more rapidly than corporate earnings.

Without an increase in employee income, consumption stagnated. With respect to real GDP growth, a breakdown by demand category reveals that between February 2002 and October 2007 60% of the growth was attributable to exports while domestic consumption contributed only 36%. In the 1980s, domestic consumption accounted for nearly half of GDP growth (Ministry of Economy, Trade and Industry 2008, Column Figure 7-1, Figure 2-2-23). In short, the economic recovery that preceded the recent crisis should be called a “jobless/joyless recovery” since it yielded large dividends for shareholders and increased executive salaries but did not benefit society in general.

Even through cursory analysis, it is evident that the mechanisms of economic growth, as well as the structure and function of income distribution, changed during the 1990s. The non-regularization of employment was one of the most important factors driving this change. *The 2008 Annual Report on the Japanese Economy and Public Finance* analyzes annual changes in salaries of regular and part-time workers and in the proportion of part-time workers between 2000 and the first half of 2008. According to this report, salaries decreased almost every year compared to the same quarter of the previous year, with the growing proportion of part-time workers being the main contributing factor (Cabinet Office 2008, Figure 1-3-20).

4. The Tax Scheme and Social Policies

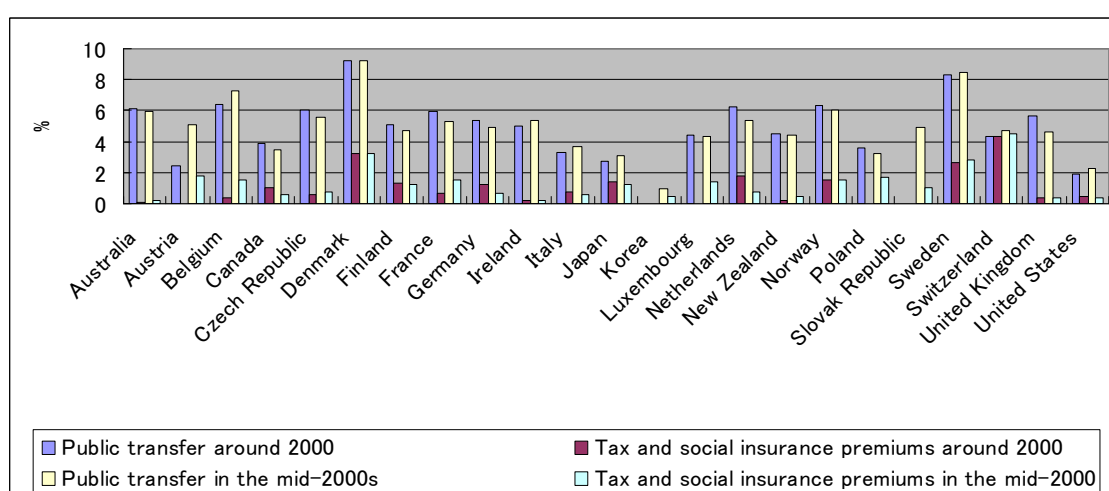
4-1. Extremely weak impact and declining effectiveness of the tax scheme

In addition to the problems discussed above, the Japanese government's tax, fiscal and labor policies have worked to suppress salaries and consumption.

According to OECD data, in the period around the year 2000, among 17 countries Japan's tax and social security schemes were the least effective in reducing the relative poverty rate (percentage difference between relative poverty rates at market and disposable income levels) for the working-age population aged 18 to 65. By contrast, the relative poverty rates on disposable income levels were quite low in France and Germany (where poverty rates on the market income levels were nearly the highest) thanks to the large redistributive effects of their tax and social security schemes.

As shown in Figure 1, people in the lowest income quintile received cash benefits amounting to 2.7% of their household disposable income in Japan, compared to the average of 4.6% in 27 OECD countries. Japanese families in the lowest income quintile paid taxes amounting to 1.4% of their household disposable income, compared to 1.2% in other OECD countries. The net transfer in Japan to the lowest quintile accounts for only 1.3% of household disposable income for this income group, compared to 4.0% for the OECD countries. The benefits received by the lowest quintile in Japan were 0.8 times as large as those received by the highest, compared to 2.1 times for other OECD countries (Jones 2007, p. 22). Thus, in Japan the richest 20% received more transfer than the poorest 20%! In the mid-2000s cash benefits were 3.1% and tax burdens were 1.2% of the household disposable income of the lowest income quintile, again showing relatively thin transfer for and heavy burden on the poorest 20%.

Figure 1: Transfers and taxes of the lowest quintile as % of household disposable income



Source: Jones 2007: Table 10; OECD 2008: Table 4.7

The percentage of those who received benefits from the government in 1999 was only 11.4% in Japan, while the average in 16 OECD countries was 19.7%. Japan was the only country in which the number of beneficiaries was smaller than the number of those who were under the relative poverty line (Jones 2007, p.21, pp.23-24). Of the 11.4%, more than three quarters were pensioners (5.1% aged, 1.6% bereaved and 1.9% disabled). Old age benefits constitute the largest share, although the eligibility age in Japan is being raised from 60 to 65. Comparatively small was the figure (0.3% of the working-age population) for assistance to single parents (Jones 2007, p.23).

This was the situation for Japan around the year 2000, when inequality and poverty as calculated by market income were not significantly different from other OECD countries. Since that time, however, the non-regularization of employment has accelerated. *The 2009 Annual Report on the Japanese Economy and Public Finance* shows that during the period from the 1980s to the mid-2000s, the progressiveness of the tax scheme was maintained and the Gini coefficient was improved through tax and social security schemes. But it also shows that the progressiveness of taxation has been decreasing since the late 1990s and that as part of this trend, the Gini coefficient based on market incomes has been increasing (Cabinet Office 2009, Figure 3-2-11). While social security scheme contributions (mainly pension benefits) to improving income distribution have generally been growing, the impact is minimal among the working-age population. Since unemployment dramatically increased after October 2008, income distribution must even be worsening.

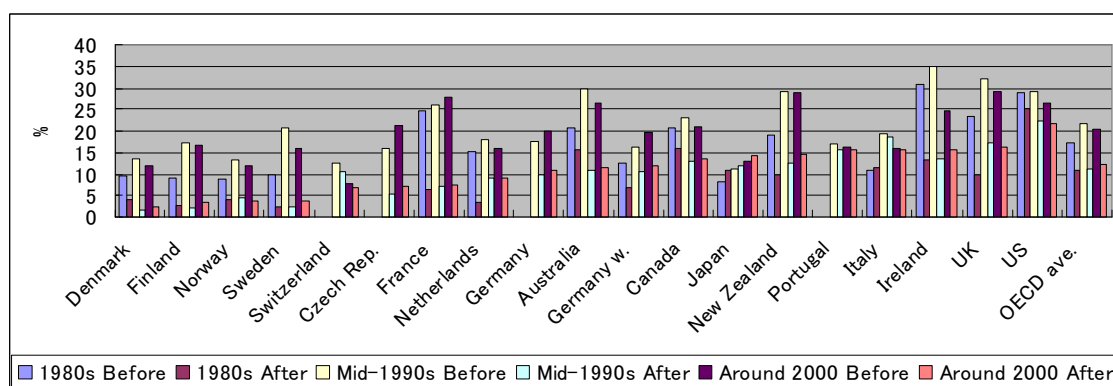
4-2. Reverse redistribution to children and households with all adults working

According to OECD data in 2000, the relative poverty rate of children (the proportion of children aged less than 18 years old who live in households below the relative poverty line) in Japan was 14.3%, the seventh highest among nineteen OECD countries. Moreover, a comparison of the 1980s, the mid-1990s, and the period around 2000 (Figure 2) shows that this rate has increased in Japan and also that the figures were consistently higher after tax and social security transfers than before, a phenomenon observed only in Japan (Whiteford and Adema 2007, p.18).

The OECD analysis is consistent with the survey results of Aya Abe, chief researcher at the National Institute of Population and Social Security Research (Abe 2006). In addition, the above mentioned report from the Council on Economic and Fiscal Policy, which used data from the *OECD Factbook 2009*, confirms that in 1985, 1994, 2000, and 2003, the rate of child poverty based on disposable income was greater than when estimated on the basis of initial (market) income (Council on Economic and Fiscal Policy 2009).

As for households with working age (18-65 years old) heads in the mid-2000s, the tax and social security schemes in Japan compared to 27 other OECD countries were again least effective in reducing the relative poverty rate. Actually, in Japan poverty has slightly worsened in households with all adults working (two-earner couples, single parents or individuals) as shown in Figure 3 (OECD 2009: 186).

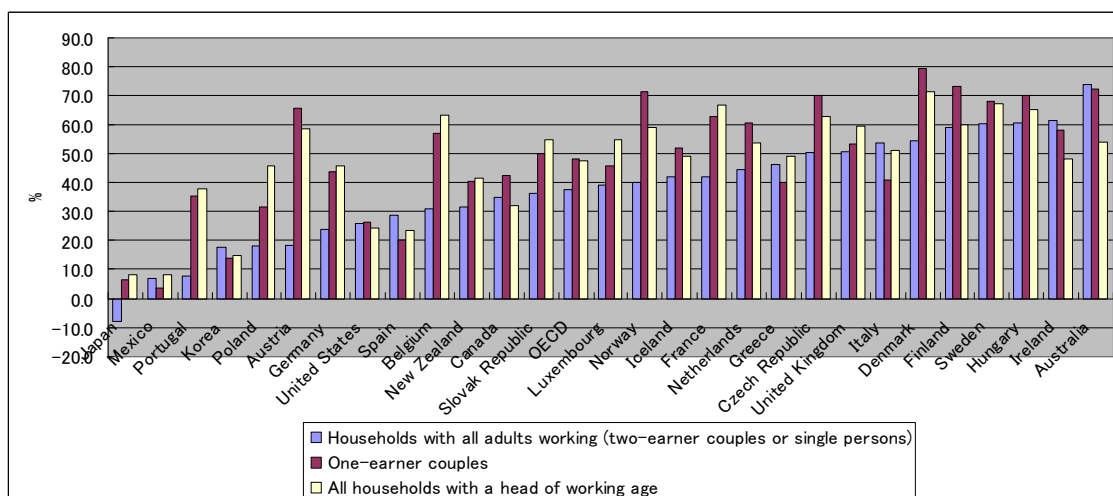
Figure 2: Child poverty rates in OECD countries, before and after taxes and transfers, 1980s, mid-1990s and around the year 2000



Note: “Before” denotes market-income poverty before deduction of direct and payroll taxes (social security contributions) while “after” reflects disposable-income poverty after the subtraction of taxes and the addition of cash transfers. Countries from the US to Denmark are ranked by the size of reduction of child poverty after tax and transfers.

Source: Whiteford and Adema 2007, Table 2.

Figure 3: Reduction of poverty rate by net social transfers among the working age population in the mid-2000s (in comparison with pre-transfer rate)



Note: Difference between poverty rates before and after social transfers, as a percentage of the poverty rate before social transfers. The poverty rates before and after transfers are calculated on market-income and disposable income, respectively.

Source: OECD (2009)

4-3. Labor market deregulation and social security “structural reform”

Since the mid 1990s, the private sector with government support has actively pursued non-regularization of employment through labor market deregulation. In the early 1990s in the wake of the collapse of the bubble economy, business leaders began calling for the “restructuring of employment.” They argued for replacement of the life-time employment/seniority-based pay model, which was the standard for regularly-employed men in

large corporations, with a multiple stream employment model that would allow increased diversity and fluidity. In spite of the emphasis on diversity, though, the promoters did not envision gender-free treatment in employment.

The intention of the private sector notwithstanding, labor-market deregulation was offered in conceptual combination with equal employment opportunities between women and men. The protection of women provisions of the Labor Standards Law was scrapped in 1997 and the Equal Employment Opportunity Law, revised to strengthen gender equality, entered into effect in April 1999 (for a brief chronology, see Box 2). Furthermore, in 1999 the Worker Dispatch Law was revised so that the use of dispatch workers was deregulated and no longer restricted to specifically listed tasks. Instead, tasks on a negative list are excluded (Osawa 2007b, Chapters 3 and 5). A subsequent June, 2003 revision of the Worker Dispatch Law deregulated the use of dispatch workers in core jobs in the manufacturing industry.

Box 2: Policy Measures for Gender Equality

- The Equal Employment Opportunity Law (1985)
- CEDAW (Convention on the Elimination of All Forms of Discrimination against Women), ratified (1985)
- The Child/Family Care Leave Law, enacted and extended (1991, 1995, 1997, 2009)
- ILO 156 Convention (Workers with Family Responsibilities Convention), ratified (1995)
- ‘Protection Provisions for Women,’ abolished from the Labor Standards Law (1997)
- The Equal Employment Opportunity Law, reformed (1997, 2006)
- The Basic Law for a Gender-Equal Society (1999)
- The law preventing spousal violence and protecting the victims, enacted and strengthened (2001, 2004, 2007)
- Gender equality perspective, integrated into the New ODA Charter as a basic policy (2003) [See Box 4]
- The National Plan of Action to Fight against Trafficking in Persons, adopted (2004) and amended (2009) [See Box 3]
- Medium-Term Policy on ODA (2005) [See Box 4]
- Initiative on Gender and Development, proposed by Japan in 2005 at the 49th session of UN CSW (Commission on the Status of Women) [See Box 4]

Box 3: Human trafficking in Japan

Kana Takamatsu (Research Associate, Institute of Social Science of the University of Tokyo)

Japan is a major destination country for human trafficking, specifically trafficking of women and girls for the purpose of sexual exploitation. Recognizing the seriousness of the problem, the representative of the Japanese government at the 2008 UN.GIFT Vienna Forum to Fight Human Trafficking argued that the fundamental cause of human trafficking is economic disparity between nations and, therefore, that reducing economic disparity through ODA and international cooperation is crucial to address the problem.

The Japanese government also stated at the Vienna Forum that Japan was implementing various measures to combat human trafficking at home in accordance with the National Action Plan adopted in 2004. (The action plan was subsequently expanded in 2009.) However, in 2009 the National Police Agency of Japan recognized only 17 victims and arrested 24 suspects in 28 cases. The number is quite small for a major destination country like Japan; it must be only the tip of the iceberg. Detecting human trafficking at the supply end is difficult because it is inherently an underground crime and cases such as disguised marriage and child adoption are increasing. Demand-side control is crucial.

The US Trafficking in Persons Report 2010 expresses concerns about forced prostitution and forced labor (“foreign trainee programs”) in Japan. The report points to a lack of government effort to reduce the huge demand for commercial sex services and for child sex tourism. A similar complaint was issued by the ILO which noted that the entertainment industry constitutes a fundamental component of mainstream Japanese business culture. This kind of demand reflects individual attitudes based on gender stereotypes still prevalent in Japanese society and corporate culture. A nationwide survey on the perception of trafficking and prostitution conducted in 2006 by the National Women's Education Center of Japan suggests that, in order to control the demand for illegal sex in Japan, it is necessary to foster an attitude that emphasizes individuality and diversity in human beings rather than stereotyped differences between men and women. The Committee on the Elimination of Discrimination Against Women recently expressed concern about the persistence of patriarchal attitudes and the deep-rooted stereotyped gender roles in Japanese families and society. These attitudes and stereotypes threaten to undermine the capability of women to exercise and enjoy human rights. The Committee also warned that the over-sexualized depiction of women in the media strengthens existing gender stereotypes. The mainstreaming of gender perspectives and the achievement of gender equality are keys to combating human trafficking and to eradicating its root causes in Japan.

The government of Japan has strengthened demand-side policies. The 2009 Action Plan includes measures to cultivate respect for human rights through education in schools as well as through social education at various maturation stages. These measures are expected to contribute to transforming people's attitudes and behavior.

Box 4: Gender mainstreaming in Japanese ODA

Department of Public Policy, Japan International Cooperation Agency (JICA)

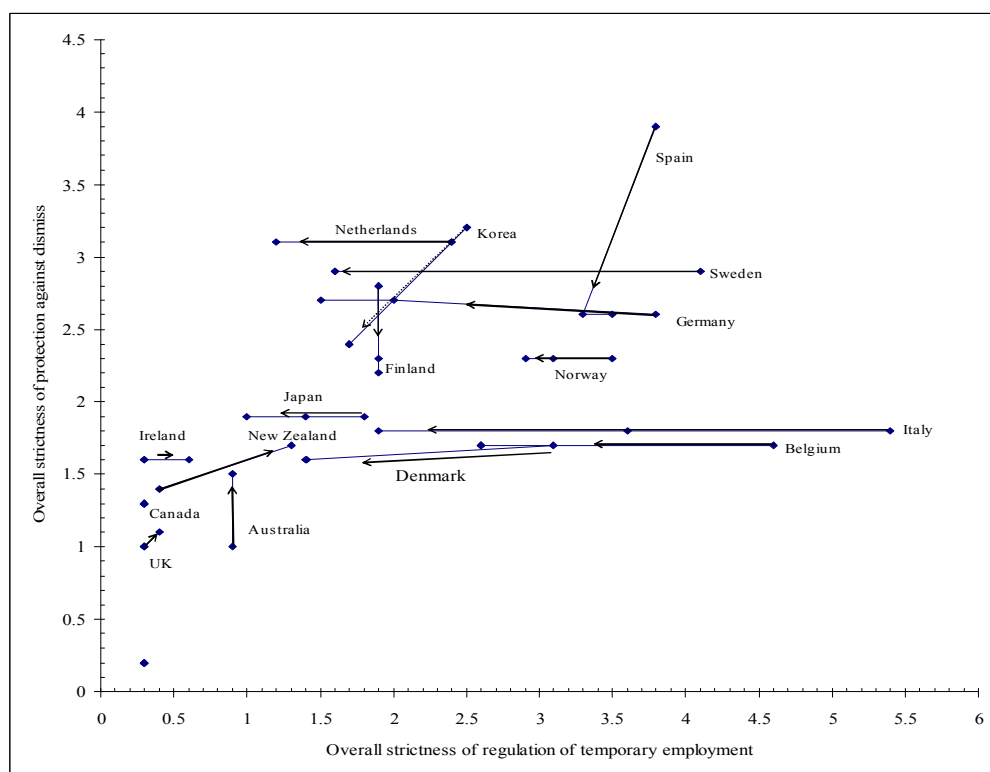
Japan's effort to promote gender mainstreaming in ODA has advanced in conjunction with its efforts toward gender equality in Japan. The revised ODA Charter of 2003, the Mid-Term Policy on ODA of 2005, and the GAD Initiative of 2005 were milestones in the promotion of gender mainstreaming in Japanese ODA. They highlight gender equality as one of Japan's basic policies. They pledge to give full consideration to the active participation of both men and women in development, to step up efforts to improve women's status in developing countries, and to ensure that men and women equally reap the benefits of development.

Japan's efforts are centered on gender-conscious capacity development by relevant government institutions in such sectors as education, health, and economic development. Efforts also have been made to incorporate the gender perspective into various crosscutting issues, including poverty reduction, climate change, peace building, disaster management, resource management, energy, and human rights/security. DAC's Peer Review of 2010 concludes that Japanese ODA has made a great progress in mainstreaming the gender perspective.

The major characteristics of Japan's ODA are its long-term commitment and on-the-ground approach, with particular emphasis on partner capacity development. Many Japanese experts and volunteers remain in the partner country for an extended period; being familiar with local customs and practices, they work as facilitators of locally-led, sometimes unexpected, transformations. An example of this is a Tanzania project aimed at rural community development and agricultural technology improvement. Japanese experts facilitated their partners in the Tanzanian Ministry of Agriculture and participants in model communities to attend more closely to the importance of women's roles in rice production. Women work longer hours than men, and yet household accounts are inequitably dominated by the men. Through technical training, line planting and a simple weeding instrument were introduced, contributing to yield improvement. After the introduction of the instrument, men increasingly took over the work of weeding which traditionally had been done by women, thus reducing women's workloads. The enhanced awareness among men of the importance of women's roles has even induced some men to cook at home while their wives are out. By approaching both men and women with appropriate gender consciousness, the JICA project contributed both to changing the relationship between the men and the women and to improving agricultural production in rural Tanzanian communities.

With the onset of the current economic crisis, a large number of dispatch workers in the manufacturing industry lost jobs in a single swoop. Figure 4 shows that after repeated deregulations since 1990, Japan is among the countries with the weakest regulation of its temporary-labor market while the degree of protection against dismissal of mid level regular workers has remained unchanged.

Figure 4: Labor market regulation in 1990, 1999 and 2003



Source: OECD Employment protection website www.oecd.org/employment/protection.

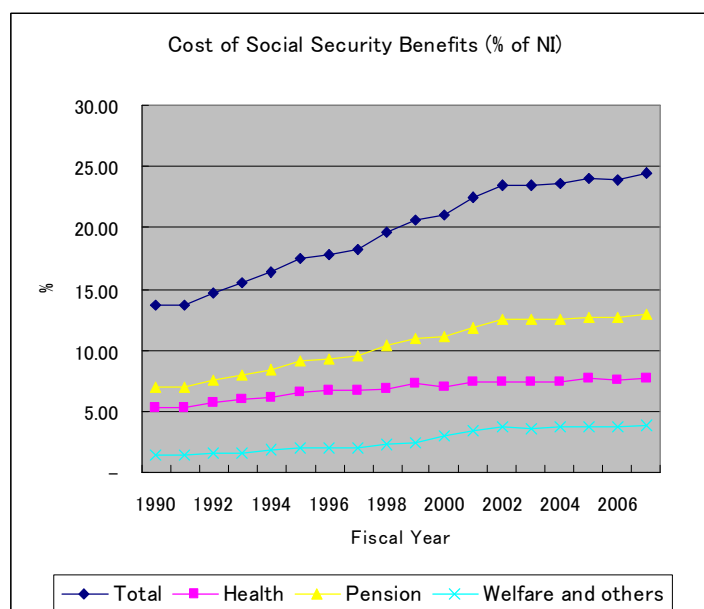
With regard to revision of the social security scheme, since the early 1990s a succession of “structural reforms” has been implemented that resulted in burden increases and benefit curtailments (Osawa 2007b, Chapters 3 and 5).

According to the data supplied by the Ministry of Finance to the Expert Committee of the Tax Commission, the ratio of social security contributions (social insurance premiums and employers’ contributions to child allowances) to gross national income (GNI) has grown continuously and was expected to reach 17.5% in 2010. This is in contrast to continual decline in the ratio of tax burdens to GNI from 27.7% to 21.8% between 1990 and 2003 (the ratio increased slightly until 2007 but declined to 21.5% in 2010) (<http://www.cao.go.jp/zei-cho/senmon/pdf/sen2kai9.pdf>). Since 1998 contributions to social security have been on par with total national tax revenue, but in 2001 they exceeded it. The primary sources of the increase in social security contributions were social insurance premiums and the widening of the scope of incomes subject to insurance premiums. With the 2004 reform of the National Pension System, the employees’ pension insurance premium rate is scheduled to increase annually by 0.354% while the monthly flat rate premium for the National Pension Plan is scheduled to increase annually by JPY 280 until 2017.

On the one hand, the ratio of social security benefits to GNI, as illustrated in Figure 5, has been severely curtailed since 2002 (National Institute of Population and Social Security

Research 2009). The benefits limitation has been accomplished through a wide variety of means (Osawa 2007b, Chapters 3 and 5).

Figure 5: Cost of Social security benefits (% of GNI)



Source: National Institute of Population and Social Security Research (2009)

The social security burden is mildly regressive and its increase has been heavier for lower income earners. On the one hand, there is a cap to the income on which insurance premiums are levied. On the other hand, as seen in the flat rate premium for Class 1 insured persons (non-employees) of the National Pension scheme and in the capitation premium of the National Health Insurance scheme, some portion is levied independently of income. In addition, since the user charge (co-pay) for health insurance and nursing care insurance is a fixed percentage of total cost (i.e. 30% or 10%), the relative burden is heavier for low-income individuals. The on-going “reform” of the social security scheme has met strong criticism from the public. Even the governmental National Commission on Social Security was forced to declare in 2008 that the “function of social security must be strengthened” (National Commission on Social Security 2008).

5. Global Imbalance, Economic Crisis, and Reconstruction of Livelihood Security Systems

An analysis using a financial history database covering the past 120 years indicates that the frequency of crises since 1973 has been about twice that prior to 1973 (Bordo, Eichengreen, Klingebiel, and Martinez-Peria 2001). 1973 was the year the Bretton Woods regime of currency management came to an end and the international monetary regime was shifted to a floating

exchange-rate system. It is commonly recognized that the so-called global imbalance – a huge current account deficit in the United States on the one side and surpluses in exporting economies such as Japan, Middle-Eastern countries and China on the other -- is the root cause of the wave of economic bubbles and crises that have pulled down nations across the globe.

The imbalance is centered on the current account deficit in the United States which has grown to an astronomical size under the floating exchange-rate system. The American deficit grew rapidly in the 1990s and particularly in the 2000s to surpass the GDP of nations such as South Korea and the Netherlands, exceeding \$800 billion in 2006 (slightly decreasing in 2007). Also well known is the fact that the main cause of the rapid deficit growth in the 2000s was over-consumption in the household sector (Cabinet Office, Chamber of the Director-General for Policies 2008b).

Such a continuous and cumulative deficit is only possible in the United States because the dollar functions as the world's key currency. The U. S. can pay for its imports by printing dollars, and since the trade surplus nations hold much of their surplus (foreign reserve assets) in American government bonds and other dollar-denominated securities, the dollars that flow out with the deficit end up being returned. This return flow of dollars has covered the American fiscal deficit while also heating up American securities markets. Consequently, interest rates on housing and consumer loans became extremely low due to the massive money supply; consumption rose faster than personal income, and personal debt grew faster than consumption (Duncan 2003, pp.77-79). The rate of American savings in 2005 was below zero for the first time in 72 years (Doihara 2006).

Reportedly some 40% of the economic growth during the George W. Bush Administration was due to growth in the housing sector. As the demand for housing from upper middle class and higher socio-economic strata became saturated, a shadow was cast on the housing bubble, which led to an increase in sub-prime lending. The total proportion of mortgages comprising sub-prime loans, which was no more than 5% in 1994, ballooned to 20% by 2006. Borrowers with sub-prime mortgages were disproportionately people of color and women (Fukumitsu 2005; Fishbein and Woodall 2006; Toyofuku 2009).

It is important to keep in mind here that one of the sources of over-consumption was medical expenditure (including insurance premiums paid by employers). According to the National Income and Product Accounts (NIPA), the category comprising the largest share of consumption in 2004 was medical expenses, accounting for 20.4%, followed by housing rent and food, which accounted for 14.9% each (Doihara 2006). The livelihood security system in the United States is unusual in that it does not include universal health insurance coverage. This not only results in a large uninsured population and rising medical costs but also has contributed significantly to the global economic crisis.

Until 2004, Japan had the largest current account surplus. With increases in oil prices, Japan was surpassed first by Middle Eastern countries and after 2006 by China. Even so Japan's surplus has continued to grow (Cabinet Office, Chamber of the Director-General for Policies 2008b). As discussed above, Japan's growth since 2002 has relied on its export sector, and while

this has produced dividends to shareholders and higher salaries for executives, it has not translated into a concomitant increase in jobs and wages.

Japan is unique among developed nations in having excess savings. In the course of the on-going economic recovery, the investment rate has remained steady while the savings rate has slightly increased, leading to an even larger savings surplus (Cabinet Office, Chamber of the Director-General for Policies 2008a). If we look either at incomes or savings, it is clear that the savings ability of low-income individuals and elderly households is declining while the income of employed individuals remains stagnant. “Over-savings” is being maintained only by households in the two highest income quintiles. It is thought that these well-off households, distrusting the public pension system and anxious about the future, have reduced consumption at a speed higher than the decline in their disposable income (NIRA 2008). The government’s *2009 Annual Report on the Japanese Economy and Public Finance* analyzes the relationship between trust in the public pension system and savings rate in eleven European countries and Japan, and it reveals that countries with less trust in their public pension system tend to have higher savings rates (Cabinet Office 2009, Figure 3-3-17).

Increased foreign reserves held by current account surplus countries has led to a rapid increase in demand for AAA-rated American financial assets, particularly on the part of private institutional investors seeking higher short-term returns than they can get from treasury bonds. This investment behavior stimulated the securitization of financial commodities, including sub-prime loans (Ikeo 2009). If growing income disparities and deficiencies in social security schemes, along with anxiety about the future, have led to under-consumption and over-saving in China and Japan, then it follows that the livelihood security systems of these countries have also contributed to the global economic crisis.

This is why this author insists that the establishment of a fairer and more gender-equal livelihood security system – one which guarantees decent lives for less privileged people, notably women – is necessary both for revitalizing Japan’s economy and society and also for maintaining stability in the global economy.

References

- Abe, Aya, 2006, Hinkon no genjou to sono youin: 1980~2000 nendai no hinkonritsu joushou no youin bunseki [State of poverty and its factors: Factor analysis of rising poverty rate in 1980s-2000s]. In *Nihon no shotoku bunpai: Kakusakakudai to seisaku no yakuwari* [Income distribution in Japan: The widening gap and the role of policies], ed. Takashi Oshio, Eiji Tajika, and Tetsuo Fukawa, 111-37. Tokyo: University of Tokyo Press.
- Bhalla, A. S., and Frédéric Lapeyre. 2004. *Poverty and Exclusion in a Global World*. 2nd rev. ed. Hampshire and New York: Palgrave Macmillan.
- Bord, M., B., Eichengreen, D. Klingebiel, and M. S. Martinez-Peria. 2001. "Is the crisis problem growing more severe?" *Economic Policy* 16 (32): 51-82.
- Cabinet Office. 2008. *Annual report on the Japanese economy and public finance 2008*.
- . 2009. *Annual report on the Japanese economy and public finance 2009*.
- Cabinet Office, Chamber of the Director-General for Policies. 2008a. *Sekai keizai no chouryuu, 2008, I* [Trend of the world economy, 2008, I].
- . 2008b. *Sekai keizai no chouryuu 2008, II* [Trend of the world economy, 2008, II].
- Council on Economic and Fiscal Policy. 2009. *Syotoku kakusa no genjou ni tsuite* [The present state of the income gap]. <http://www.keizai-shimon.go.jp/minutes/2009/0422/item3.pdf>.
- Doihara, Susumu. 2006. *America "kajou shouhi" no kouzou* [The structure of 'over-consumption' in the U.S.]. Nissei kisoken REPORT (August).
- Duncan, Richard. 2003. *The dollar crisis, causes, consequences, cures*. Clementi Loop: John Wiley and Sons (Asia).
- Fishbein, Allen, and Patrick Woodall. 2006. *Women are prime targets for subprime lending: Women are disproportionately represented in high-cost mortgage market*. Consumers Federation of America.
- Fukumitsu, Hiroshi. 2005. *America no juutaku kinyuu ni taisuru aratana shiten: Syoukenka no nakadeno sabupuraimu sou ni taisuru ryakudatsuteki kashitsuke* [A new perspective on housing finances in the U.S.: Predatory lending for the subprime layer in the development of securitization]. *Seijo University keizai kenkyuu* [Economic Study Seijo University] 170: 57-88.
- Ikeo, Kazuto. 2009. *Kinyuu/keizaikiki to kongo no kisei kantoku taisei* [Financial/economic crisis and future regulatory system]. The Tokyo Foundation.
- Jones, R. S. 2007. Income inequality, poverty and social spending in Japan. Economic Department Working Papers 556, OECD.
- Ministry of Economy, Trade and Industry. 2008. *White paper on international economy and trade*. <http://www.meti.go.jp/report/tsuhaku2008/2008honbun/index.html>.
- National Institute of Population and Social Security Research. 2009. *The Cost of social security in Japan 2007*. <http://www.ipss.go.jp/ss-cost/j/kyuhuhi-h19/4/h2.xls>.
- NIRA kenkyuusousho, 2008. *Kakei ni nemuru 'kajou chochiku': Kokumin seikatsu no shitsu no koujou niwa 'chochiku kara syouhie' to iu hassou ga hukaketsu* ["Excessive savings" sleeping in households: To improve the quality of life, the idea of "from savings to consumption" is indispensable].
- OECD. 2008. *Growing unequal? Income distribution and poverty in OECD countries*. OECD.
- . 2009. *Employment Outlook 2009, Tackling the jobs crisis*. OECD.
- Osawa, Mari. 2002. *Danjo kyōdō sankaku shakai o tsukuru* [Building a gender-equal society]. Tokyo: NHK Books.
- . 2007a. Comparative livelihood security systems from a gender perspective, with a focus on Japan. In *Gendering the Knowledge Economy, Comparative Perspectives*, ed. Sylvia Walby, Heidi Gottfried, Karin Gottschall, and Mari Osawa, 81-108. Basingstoke and New York: Palgrave Macmillan.
- . 2007b. *Gendai nihon no seikatsu hoshou shisutemu: Zahyou to yukue* [Livelihood security system in contemporary Japan: Coordinates and direction in the future]. Tokyo: Iwanami Shoten.
- Osawa, Mari. Forthcoming. *Social security in contemporary Japan, A comparative analysis*. London and New York: Routledge.
- Shakai Hoshou Kokumin Kaigi [National Commission on Social Security]. 2008. *Chuukan houkoku* [Interim report]. <http://www.kantei.go.jp/jp/singi/syakaihoshoukokuminkaigi/>.
- Shirahase, Sawako. 2006. *Fubyoudouka nihon no nakami, Setai to jendā ni chakumoku shite* [Reality of Japan in glowing unequal, Focusing on household and gender]. In *Henkasuru shakai no fubyoudou: Shoushi koureika ni hisomu kakusa* [Inequality in a changing society: Hidden disparities behind the demographic shift in Japan], ed. Sawako Shirahase, 47-8. Tokyo: University of Tokyo Press.
- Toyofuku, Yuji. 2009. *America sabupuraimurōn no yuushi jittai* [The actual situation of lending of subprime loans]. *Gakujutsu no doukou* [Science Trends] (August): 60-65.
- Whiteford, P., and W. Adema. 2007. What works best in reducing child poverty: A benefit or work strategy? OECD

Social, Employment and Migration Working Papers 51. Paris: OECD.
Yamada, Atsuhiko, Masato Shikata, Soichiro Tanaka, and Kohei Komamura. 2008. Dai 1 houkoku: Hinkon kijun no kasanari: OECD soutaiteki hinkon kijun to seikatsu hogo kijun no kasanari [The 1st report: Overlapping standards of poverty: How interchangeable are the OECD relative poverty standard and Japan's public assistance standard]. A paper presented in the Second Thematic Session "A Diversity of Poverty and Income Security" at the 117th Conference of Society for Study of Social Policy.